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In the Supreme Court of the United States

OCTOBER TERM, 1927

No. 99

RICHMOND SCREW ANCHOR CO., INC., PETITIONER

v.

THE UNITED STATES

ON WRIT OF CERTIORARI TO THE COURT OF CLAIMS

BRIEF FOR THE UNITED STATES

OPINION BELOW

An opinion by the Court of Claims (R. 13) holding that the patent involved was valid and that the invention covered thereby had been used by the United States was rendered on June 4, 1923, and is reported in 58 Ct. Cls. 433. It was thereupon ordered by the court that the case be remanded to the docket for further proceedings respecting the issue of damages. (R. 19.) On December 7, 1925, additional findings of fact were made (R. 20) and another opinion was entered (R. 22), which is reported in 61 Ct. Cls. 397, in which the former judgment of the Court of Claims as expressed in its conclusion of law was set aside and a new judgment entered dismissing the petition (R. 25).

JURISDICTION

The judgment of the Court of Claims dismissing the petition was entered on December 7, 1925. (R. 25.) A motion for additional findings of fact was entertained and overruled on May 3, 1926. (R. 25.) The petition for writ of certiorari was filed on July 30, 1926, and was granted on October 25, 1926. (R. 26.) Jurisdiction to issue the writ is conferred by the Act of February 13, 1925.

THE QUESTIONS PRESENTED

The primary question is whether assignments of claims against the United States for infringement of a patent by it and for infringement by others who manufacture for the United States [liability for which has been assumed by the United States under the Act of July 1, 1918] are within the operation of Section 3477, R. S., which declares that assignments of unliquidated claims against the United States are void.

If that question is answered in the affirmative, then it remains to determine whether between March 7, 1921, when the petitioner acquired the patent, and May 23, 1921, when this suit was instituted, there was an infringement by the United States for which recovery may be had.

STATUTES

Section 3477, Revised Statutes, U. S. C. Title 31, Section 203:

> All transfers and assignments made of any claim upon the United States, or of any part

or share thereof, or interest therein, whether absolute or conditional, and whatever may be the consideration therefor, and all powers of attorney, orders, or other authorities for receiving payment of any such claim, or of any part or share thereof, shall be absolutely null and void, unless they are freely made and executed in the presence of at least two attesting witnesses, after the allowance of such a claim, the ascertainment of the amount due, and the issuing of a warrant for the payment thereof. Such transfers, assignments, and powers of attorney, must recite the warrant of payment, and must be acknowledged by the person making them, before an officer having authority to take acknowledgments of deeds, and shall be certified by the officer; and it must appear by the certificate that the officer, at the time of the acknowledgment, read and fully explained the transfer, assignment, or warrant of attorney to the person acknowledging the same.

Act of June 25, 1910, c. 423, 36 Stat. 851:

An Act to Provide Additional Protection for Owners of Patents of the United States, and for Other Purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover

> reasonable compensation for such use by suit in the Court of Claims: *Provided, however,* That said Court of Claims shall not entertain a suit or reward (sic) compensation under the provisions of this Act where the claim for compensation is based on the use by the United States of any article heretofore owned, leased, used by, or in the possession of the United States: *Provided further,* That in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further,* That the benefits of this Act shall not inure to any patentee, who, when he makes such claim is in the employment or service of the Government of the United States; or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employee during the time of his employment or service.

The Act of July 1, 1918 (c. 114, 40 Stat. 704, 705, U. S. C., Title 35, Sec. 68), amended the foregoing statute to read as follows:

> That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in

the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture: *Provided, however,* That said Court of Claims shall not entertain a suit or award compensation under the provisions of this Act where the claim for compensation is based on the use or manufacture by or for the United States of any article heretofore owned, leased, used by, or in the possession of the United States: *Provided further,* That in any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further,* That the benefits of this Act shall not inure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employee during the time of his employment or service.

STATEMENT

This is a suit under the Act of June 25, 1910, as amended by the Act of July 1, 1918, set forth above, to recover compensation from the United States for the alleged unauthorized and infringing manufacture for the United States and use by it of cargo beams of a type covered by United States letters patent No. 1228120, granted May 29, 1917, to Mel-

chior Lenke. The findings show that on September 29, 1920, Lenke assigned the letters patent to one Chappell, who in turn assigned the letters patent to petitioner on March 7, 1921. (R. 12.) Each of the assignments contained a provision that the assignee should have "all rights of action for past infringement of said patent, and all rights to recoveries for damages, profits, and royalties for said infringements of every kind whatsoever." (R. 12.)

The cargo beams were manufactured prior to March 7, 1921, and were installed and put in use by the United States prior to that date. This suit was commenced May 23, 1921. (R. 6.) The only claims which this petitioner has against the United States which have arisen since the petitioner acquired the letters patent, and which it has not obtained by assignment from the prior owners of the patent, are claims for what occurred between March 7, 1921, and May 23, 1921.

If Section 3477, R. S., invalidated assignments of claims for infringement against the United States, then the only recovery here would be for infringement occurring between petitioner's acquisition of the patent and the date of the commencement of the suit, and the question then arises whether there is any such recovery to be had on these findings.

Cargo beams are used as supports for the tackle used in handling cargo between the vessels and the docks. A diagram illustrating this is in the record. (R. 18.) The findings show that the United States

installed on or before January 1, 1919, 810 cargo beams covered by the Lenke patent (R. 21), and that—

> since January 1, 1919, the evidence establishes that no additional beams of the Lenke type have been installed or used by the United States.

The sole value in the Lenke invention rests in a saving in cost of installation through a reduction in the weight of the cargo beam and a consequent saving in metal. Prior to this invention cargo beams were immovably fixed to their supports. Lenke's invention consisted in a cargo beam moving on a horizontal axis, so as to move into position to resist the strain from whatever direction coming. The old type, being fixed, was required to be of greater strength to meet both vertical and diagonal pulls. The court found that the sole saving or advantage in the Lenke type was in the cost of installation, and that it resulted in a saving of 2,000 pounds of metal per beam, which, at the market price of 6½ cents per pound, enabled the Government to save on installation of these beams $103,480. (R. 21.) The Court of Claims also found that the fair license value on a royalty basis is—

> the sum of twenty ($20) dollars a cargo beam, amounting in this case to the sum of sixteen thousand two hundred ($16,200) dollars. (R. 21.)

There is no finding to form the basis of any recovery by either the petitioner or prior owners of the patent except those showing the saving in cost of installation and the reasonable license fee per beam. The license fee, as found by the court, is not predicated on the length of time the cargo beam remains in operation after installation.

The Court of Claims first considered the validity of the patent and the matter of infringement and sustained the patent, and ordered a hearing on the question of damages. It then made supplementary findings, and, on Section 3477, R. S., being called to its attention at that stage of the case, held that the only value in the invention lay in the saving of cost of installation and not in its subsequent use, and that since the beams had been installed prior to the time the petitioner acquired ownership of the letters patent, all claims for recovery belonged to a prior owner of the patent, and that the assignment from him of his cause of action against the United States was void.

SUMMARY OF ARGUMENT

Section 3477 of the Revised Statutes, making void assignments of unliquidated claims against the United States, operates on assignments of unliquidated claims against the United States for infringement by it of letters patent and of claims for infringing manufacture for the United States by others, liability for which the United States has assumed under the Act of June 25, 1910, as

amended by the Act of July 1, 1918. Trafficking in claims against the United States for patent infringements is within the purpose and operation of Section 3477, and it has been so held in *Brothers* v. *United States*, 250 U. S. 88.

There is nothing in the Act of June 25, 1910, as amended, or in the general statutes dealing with assignability of patents and patent claims, which justifies the assertion that they impliedly repealed Section 3477, R. S., as applied to assignments of claims against the United States for infringement.

Prior to March 7, 1921, when petitioner acquired the letters patent, the infringing manufacture had occurred and the infringing use in installation. Claims for those infringements were not assignable, and the petitioner's claim rests only on the use of the installed cargo beams between March 7, 1921, and May 23, 1921.

The findings show that the invention has no value after installation, its value consisting in saving in cost of material in installation. The real use of the invention took place in installation and not in the subsequent use of the completed equipment. The findings show that prior owners of the patent are still entitled, if anyone is, to recover from the United States the full amount of the license fee for the use of the invention, or all the substantial damages recoverable. If a technical infringement continued after installation and after March 7, 1921, when petitioner acquired the letters patent, the damages for that were nominal and recovery nomi-

nal, and a reversal should not be ordered to allow recovery of nominal damages.

ARGUMENT

I

SECTION 3477, REVISED STATUTES, PROHIBITING ASSIGNMENT OF UNLIQUIDATED CLAIMS AGAINST THE UNITED STATES, APPLIES TO CLAIMS FOR INFRINGEMENT OF PATENTS

Prior to the enactment of the Act of June 25, 1910, the United States had not consented to be sued for infringement or wrongful use of a patented invention. The Act of 1910 did not provide for the assumption by the United States of any liability to a patentee for infringement committed by those who manufactured patented articles for and sold them to the United States, nor did it relieve the contracting manufacturer from liability to the patentee. It made the United States liable only for its own infringing use by waiving immunity from suit for such a claim. The Act of July 1, 1918, provides that the United States shall be liable also if the patented invention is, without a license from the patentee, manufactured for the United States. In this respect the Act is more than a waiver of immunity. It effects an assumption of liability and makes the remedy against the United States exclusive by creating immunity from suit in favor of the contractor who has made the infringing device for the United States.

So far as Section 3477, R. S., is concerned, there is no reason to distinguish as to the assignability of unliquidated claims against the United States between those arising through infringement by the United States and those based on the assumption of liability by the United States for infringement by others. Trafficking in unliquidated claims against the United States for patent infringement is squarely within the purpose of Section 3477.

In *United States* v. *Gillis*, 95 U. S. 407, in dealing with this statute, it was said (p. 413):

> No language could be broader or more emphatic than these enactments. The words embrace every claim against the United States, however arising, of whatever nature it may be, and wherever and whenever presented.

In *Spofford* v. *Kirk*, 97 U. S. 484, the Court spoke of the mischiefs which the statute was intended to prevent.

In *Goodman* v. *Niblack*, 102 U. S. 556, 560, one of the considerations which led to the enactment of this statute prohibiting assignments was stated as follows:

> That, by a transfer of such a claim against the government to one or more persons not originally interested in it, the way might be conveniently opened to such improper influences in prosecuting the claim before the departments, the courts, or the Congress, as desperate cases, when the reward is contingent on success, so often suggest.

That this was one of the objects of the statute against transfer of unliquidated claims against the United States was reiterated in *Seaboard Air Line Ry.* v. *United States*, 256 U. S. 655. In that case is was held that an assignment resulting from a merger of corporations was not within the spirit or purpose of the statute, and it has been held in other cases that certain assignments by operation of law are not within the operation of the statute. *Price* v. *Forrest*, 173 U. S. 410. But nothing in any of these decisions announcing exceptions gives any support to the petitioner's contention that an unallowed and unliquidated claim against the United States for infringement of patent is not within the purpose and operation of Section 3477.

In *Brothers* v. *United States*, 250 U. S. 88, it appeared that the letters patent had been assigned to the claimant October 2, 1912, two and one-half months prior to their expiration by limitation. The Court said (p. 89):

> His claim to compensation is necessarily limited to this brief period, since there could be no assignment to him of any unliquidated claim against the Government arising prior to the time he became the owner of the patent. Rev. Stats., Sec. 3477.

II

THE FINDINGS SHOW NO BASIS FOR SUBSTANTIAL RECOVERY FOR INFRINGEMENT OCCURRING AFTER PETITIONER ACQUIRED THE LETTERS PATENT

If claims for infringement arising before March 7, 1921, the date petitioner acquired the letters pat-

ent, were not lawfully assigned to petitioner, its recovery is limited to infringements by the United States occurring between March 7, 1921, and the date of the commencement of this suit, May 23, 1921, a period of a little over two months. The infringing manufacture for the United States took place before March 7, 1921, and the installation of the infringing cargo beams took place before that date. The findings make it clear that the value of the invention rests in the substitution of a lighter beam for a heavier one, with a resulting saving in metal, effecting a saving in cost of installation. There is no finding that the completed and installed device has any advantage over the old type of rigid cargo beam. The petitioner rests its entire case for recovery on the saving in metal. It says (Brief, p. 31):

> We submit that if Petitioner is entitled to any recovery whatever it is entitled to the entire $103,480 saved in the cost of manufacture of the 810 infringing cargo beams and so in the end saved in the handling of cargoes by the use of these cargo beams.

The petitioner attempts to treat this saving in cost of installation or in the original cost of the equipment as a saving in cost of handling cargoes, but the saving took place before any cargo was handled, and would have been the same if the apparatus had been destroyed the day after it was installed. It is settled, too, except where accountings for profits are involved (and the United States has

made no profit in that sense, and, not being subject to injunction, is not subject to recovery of profits, which is only an incident to suit for injunction), that recovery for infringement is measured by the plaintiff's loss, not by the defendant's gain. *Coupe* v. *Royer,* 155 U. S. 565; *Brown* v. *Lanyon,* 148 Fed. 838.

There is a finding that the fair license value on a royalty basis is the sum of $20 a cargo beam, amounting in this case to $16,200, irrespective of the length of time the completed apparatus is used; but if that be the measure of recovery, the cause of action for it arose when the beams were installed, in favor of the then owner of the patent, who is now entitled (his assignment being void), unless he has lost his right for some other reason, to recover such license fees from the United States. Because of Section 3477, R. S., the situation is the same as if the assignment of the letters patent had been made without any assignment of claims for past infringement, and as if the former and present owners of the patent were each seeking to recover damages from the United States, and the question was as to how the entire recovery from the United States should be divided between them. It seems obvious from the findings that if the use of the apparatus since its installation constitutes in any proper sense a use of the invention, it is only technically so, and the recovery for the period after March 7, 1921, and prior to

May 23, 1921, could only be nominal, the substantial recovery for damages going to the one who owned the patent when the beams were manufactured and installed. If, as suggested, the former owner of the letters patent may enforce a claim against the United States for a reasonable license fee for the use of the invention, a recovery by and payment to the former owner would give the United States permanent immunity from claims of infringement on account of the use of the particular beams involved. Being open to such a claim in favor of the original owners of the patent should relieve the United States from a liability for the same thing to the present owner of the patent. See *Seymour* v. *McCormick*, 16 How. 480, 489; *Birdsall* v. *Coolidge*, 93 U. S. 64; *Stutz* v. *Armstrong*, 25 Fed. 147; *Bloomer* v. *Millinger*, 1 Wall. 340.

If the petitioner could in any event recover only nominal damages for the period from March 7, 1921, to May 23, 1921, that alone would afford no reason for reversing the judgment below. *Diamon* v. *Taylor*, 99 Minn. 527.

Respectfully submitted.

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NOVEMBER, 1927.

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